

**PIEDMONT UNIFIED  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2016**

# PIEDMONT UNIFIED SCHOOL DISTRICT

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JUNE 30, 2016

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Piedmont Unified School District  
Piedmont, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Piedmont Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Piedmont Unified School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72 *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to these matters.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparisons, other postemployment benefits, net pension liability and contribution schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Piedmont Unified School District's basic financial statements. The accompanying supplementary information such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Piedmont Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Piedmont Unified School District's internal control over financial reporting and compliance.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
December 15, 2016

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

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This section of Piedmont Unified School District's (the District) 2016 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### *The Financial Statements*

The financial statements presented herein include all of the activities of the District as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets and deferred outflows of the District (including capital assets) as well as all liabilities (including long-term liabilities) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Piedmont Unified School District.

### REPORTING THE DISTRICT AS A WHOLE

#### *The Statement of Net Position and the Statement of Activities*

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and deferred outflows and liabilities and deferred inflows of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid and are reflected in the Statement of Activities.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities* we include the District activities as follows:

**Governmental Activities** - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### *Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

### THE DISTRICT AS TRUSTEE

#### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

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**THE DISTRICT AS A WHOLE**

*Net Position*

The District’s net position was (\$16,914,348), and \$(19,534,434) for the fiscal years ended June 30, 2016 and 2015, respectively. Of this amount, (\$25,923,107) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board’s ability to use the net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District’s governmental activities.

**Table 1**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 13,320,553	\$ 10,566,917
Capital assets	79,408,576	80,882,217
<b>Total Assets</b>	<b>92,729,129</b>	<b>91,449,134</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,638,755</b>	<b>1,942,282</b>
Current liabilities	7,307,281	5,546,218
Long-term liabilities other than pension liability	71,991,599	75,332,866
Aggregate net pension liability	31,728,531	25,179,503
<b>Total Liabilities</b>	<b>111,027,411</b>	<b>106,058,587</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,254,821</b>	<b>6,867,263</b>
Net position		
Net investment capital assets	3,473,201	1,958,152
Restricted	5,535,558	5,583,511
Unrestricted	(25,923,107)	(27,076,097)
<b>Total Net Position</b>	<b>\$ (16,914,348)</b>	<b>\$ (19,534,434)</b>

The (\$25,923,107) in unrestricted net position of governmental activities represents the *accumulated* results of all past years’ operations.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

*Changes in Net Position*

The results of this year’s operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues and expenses for the year.

**Table 2**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Program revenues		
Operating grants and contributions	\$ 7,881,026	\$ 2,840,103
General revenues:		
Federal and State aid	11,114,664	9,902,121
Property taxes	26,212,896	23,995,459
Other general revenues	5,345,820	6,221,958
<b>Total Revenues</b>	<b>50,554,406</b>	<b>42,959,641</b>
<b>Expenses</b>		
Instruction related	35,114,294	31,931,366
Student support services	2,850,241	2,579,810
Administration	2,986,738	2,384,341
Maintenance and operations	3,384,288	3,590,667
Other	3,598,759	6,163,212
<b>Total Expenses</b>	<b>47,934,320</b>	<b>46,649,396</b>
<b>Change in Net Position</b>	<b>\$ 2,620,086</b>	<b>\$ (3,689,755)</b>

*Governmental Activities*

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$47,934,320. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$26.2 million because part of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$7.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$11.2 million in Federal and State aid and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District’s largest functions: regular instruction, instruction related activities, pupil services, and other as well as each program’s *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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**Table 3**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Instruction	\$ 27,660,840	\$ 26,367,558	\$ 24,382,594	\$ 23,677,467
Instruction related activities	7,453,454	5,563,808	3,929,023	5,515,311
Pupil services	2,850,241	2,579,810	2,695,663	2,559,883
General administration	2,986,738	2,384,341	2,967,561	2,383,663
Plant services	3,384,288	3,590,667	3,299,036	3,509,757
Other	3,598,759	6,163,212	2,779,417	6,163,212
<b>Totals</b>	<b>\$ 47,934,320</b>	<b>\$ 46,649,396</b>	<b>\$ 40,053,294</b>	<b>\$ 43,809,293</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$11,233,466 which is an increase of \$1,397,574 from last year.

The primary reasons for the change between 2015 and 2016 are:

The following one-time funding items were in 2015 but not in 2016:

- Common Core State Standards,
- AB86-Adult Education Consortium program,
- OPSC apportionment for State School Facilities Fund, and,
- Donation for Alan Harvey theatre.

### *General Fund Budgetary Highlights*

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2016. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 60.

The primary reasons for the changes in the revenues and expenditures between the original and final budgets and the actual amounts are:

- Budgeted revenues for 2015-16 had an increase of \$2,451,089, from the original budget to the final budget of which \$1,389,271 was from Local Control Funding Formula, federal, and state revenues, and the remaining from local revenues (Parents, Piedmont Educational Foundation, and other support groups' contributions for chrome books, salaries, benefits, and supplies/services.)
- There were also modifications, based on close monitoring of actual costs throughout the year.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2016**

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The District originally projected an increase in the general fund of \$1,497,574 and the actual net change in fund balance is an increase of \$413,789. Although revenues were up \$1,498,589 more than originally projected, expenditures were correspondingly up by \$1,595,041 more than originally projected. As part of the expenditures, the District transferred \$192,000 to the Special Reserve Fund for other than Capital Outlay, \$50,000 to the Special Reserve Fund for Capital Outlay Projects, and \$10,000 to the Self-Insurance Fund. The District monitored expenditures closely to be able to continue providing all programs.

### CAPITAL ASSET & DEBT ADMINISTRATION

#### *Capital Assets*

At June 30, 2016, the District had \$79,408,576 in a broad range of capital assets (net of depreciation), including land and improvements, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$1,473,641 from last year due to various projects, including, sports fields, Elementary Schools, Piedmont Middle School and Piedmont High School modernization, upgrading the carpets and floors and repairing the sewage at Piedmont Middle School.

**Table 4**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Land and improvements	\$ 3,376,043	\$ 3,464,399
Buildings and improvements	75,903,222	76,662,628
Furniture and equipment	129,311	85,034
Construction in progress	-	670,156
<b>Totals</b>	<b>\$ 79,408,576</b>	<b>\$ 80,882,217</b>

Additional detail on capital assets can be found in Note 5 to the financial statements.

#### *Long-Term Obligations*

At the end of this year, the District had \$107,918,155 of long term debt outstanding versus \$104,342,690 last year, an increase of 3.4 percent. The long term obligations outstanding consisted of:

**Table 5**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
General obligation bonds	\$ 71,749,416	\$ 74,345,181
General obligation bond premiums	4,185,960	4,588,985
Accumulated vacation	109,464	122,728
Postemployment benefits	144,784	106,293
Aggregate net pension liability	31,728,531	25,179,503
<b>Totals</b>	<b>\$ 107,918,155</b>	<b>\$ 104,342,690</b>

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

# **PIEDMONT UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2016**

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### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016 ARE NOTED BELOW:**

The District developed a balanced budget for 2015-16 with limited impact on the educational program, including completion of successful negotiations with all employee groups. The District was also able to complete positive certifications for the First and Second Interim Reports. The District acknowledges its strong working relationships with the Association of Piedmont Parent Clubs, the Piedmont Education Foundation, and other support groups. Also, the District was able to reserve \$4.9 million for 2015-16.

### **ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

In considering the District Budget for the 2015-16 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula calculator prepared by FMAC per ACOE's advice.
2. Use ADA of 2631.80 from 2015-16.
3. On-going revenue for Mandate Block Grant (approx. \$98K) and one-time funding of \$562K.
4. Increase of 2% in levy of School Support Tax.
5. STRS and PERS reflects the new increased rates.
6. Donations for chrome books, music and other programs from support groups.
7. Transfer out \$190K to Deferred Maintenance Fund.
8. Transfer out \$50K to Capital Facilities Fund.
9. Transfer in \$120K from Adult Education Fund.

### **CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need any additional financial information, contact:

Randall Booker  
Superintendent  
Piedmont Unified School District  
Piedmont, CA 94611  
OR  
rbooker@piedmont.k12.ca.us

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 11,478,101
Receivables	1,811,007
Prepaid expenses	31,445
Capital assets not depreciated	335,023
Capital assets, net of accumulated depreciation	79,073,553
<b>Total Assets</b>	<b>92,729,129</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pension	4,638,755
<b>LIABILITIES</b>	
Accounts payable	2,087,087
Interest payable	1,022,169
Current portion of long-term obligations other than pensions	4,198,025
Noncurrent portion of long-term obligations other than pensions	71,991,599
Aggregate net pension liability	31,728,531
<b>Total Liabilities</b>	<b>111,027,411</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflow of resources related to debt refunding	155,290
Deferred inflows of resources related to pensions	3,099,531
<b>Total Deferred Inflows of Resources</b>	<b>3,254,821</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,473,201
Restricted for:	
Debt service	4,579,529
Capital projects	769,594
Educational programs	179,827
Special revenue	6,608
Unrestricted	(25,923,107)
<b>Total Net Position</b>	<b>\$ (16,914,348)</b>

The accompanying notes are an integral part of these financial statements.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Operating Grants and Contributions</b>	<b>Net (Expenses) Revenues and Changes in Net Position Governmental Activities</b>
<b>Governmental Activities:</b>			
Instruction	\$ 27,660,840	\$ 3,278,246	\$ (24,382,594)
Instruction-related activities:			
Supervision of instruction	890,332	109,830	(780,502)
Instructional library, media, and technology	572,221	23,530	(548,691)
School site administration	5,990,901	3,391,071	(2,599,830)
Pupil services:			
Home-to-school transportation	172,216	-	(172,216)
Food services	703,092	8,582	(694,510)
All other pupil services	1,974,933	145,996	(1,828,937)
General administration:			
Data processing	853,489	-	(853,489)
All other general administration	2,133,249	19,177	(2,114,072)
Plant services	3,384,288	85,252	(3,299,036)
Ancillary services	539,203	4,339	(534,864)
Enterprise services	522	-	(522)
Interest on long-term obligations	3,059,034	-	(3,059,034)
Other outgo	-	815,003	815,003
<b>Total Governmental Activities</b>	<b>\$ 47,934,320</b>	<b>\$ 7,881,026</b>	<b>(40,053,294)</b>
General revenues and subventions:			
Property taxes, levied for general purposes			10,626,213
Property taxes, levied for debt service			5,798,129
Taxes levied for other specific purposes			9,788,554
Federal and State aid not restricted to specific purposes			11,114,664
Interest and investment earnings			23,392
Miscellaneous			5,322,428
		<b>Subtotal, General Revenues</b>	<b>42,673,380</b>
			<b>Change in Net Position</b>
			2,620,086
			Net Position - Beginning
			(19,534,434)
			Net Position - Ending
			<b>\$ (16,914,348)</b>

The accompanying notes are an integral part of these financial statements.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve Capital Outlay Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 4,802,703	\$ 25,601	\$ 719,398
Receivables	1,789,883	27	15,330
Prepaid expenses	31,445	-	-
<b>Total Assets</b>	<u>\$ 6,624,031</u>	<u>\$ 25,628</u>	<u>\$ 734,728</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,969,044	\$ 25,627	\$ 4,825
<b>Total Liabilities</b>	<u>1,969,044</u>	<u>25,627</u>	<u>4,825</u>
<b>Fund Balances:</b>			
Nonspendable	56,445	-	-
Restricted	179,827	1	729,903
Committed	1,387,945	-	-
Assigned	-	-	-
Unassigned	3,030,770	-	-
<b>Total Fund Balances</b>	<u>4,654,987</u>	<u>1</u>	<u>729,903</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,624,031</u>	<u>\$ 25,628</u>	<u>\$ 734,728</u>

The accompanying notes are an integral part of these financial statements.

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<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,597,250	\$ 333,149	\$ 11,478,101
4,448	1,319	1,811,007
-	-	31,445
<u>\$ 5,601,698</u>	<u>\$ 334,468</u>	<u>\$ 13,320,553</u>
\$ -	\$ 87,591	\$ 2,087,087
-	87,591	2,087,087
-	-	56,445
5,601,698	46,299	6,557,728
-	188,603	1,576,548
-	11,975	11,975
-	-	3,030,770
<u>5,601,698</u>	<u>246,877</u>	<u>11,233,466</u>
<u>\$ 5,601,698</u>	<u>\$ 334,468</u>	<u>\$ 13,320,553</u>

The accompanying notes are an integral part of these financial statements.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016**

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 11,233,466</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 102,461,557
Accumulated depreciation is	<u>(23,052,981)</u>
Net Capital Assets	79,408,576
Pension contributions subsequent to the measurement date; the difference between projected and actual earnings on pension plan investments; and the difference between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	
	4,638,755
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.	
	(1,022,169)
Gain on debt refunding is not reported in governmental funds but relates to future periods and is reported as a deferred inflow of resources on the Statement of Net Position.	
	(155,290)
The difference between projected and actual earnings on pension plan investments; and the difference between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	
	(3,099,531)
Long-term liabilities are reported on the statement of net position and not on the fund statements and at year end consist of:	
Bonds payable	\$ (71,749,416)
Compensated absences (vacations)	(109,464)
Bond premium net of amortization	(4,185,960)
Postemployment benefits	(144,784)
Net pension liability	<u>(31,728,531)</u>
Total Long-Term Liabilities	(107,918,155)
<b>Total Net Position - Governmental Activities</b>	<b><u><u>\$ (16,914,348)</u></u></b>

The accompanying notes are an integral part of these financial statements.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Capital Outlay Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 19,621,472	\$ -	\$ -
Federal sources	706,432	-	-
Other state sources	7,343,312	-	-
Other local sources	15,614,860	166	37,945
<b>Total Revenues</b>	<b>43,286,076</b>	<b>166</b>	<b>37,945</b>
<b>EXPENDITURES</b>			
Current			
Instruction	26,148,272	-	-
Instruction-related activities:			
Supervision of instruction	841,954	-	-
Instructional library, media and technology	541,128	-	-
School site administration	5,677,917	-	-
Pupil services:			
Home-to-school transportation	162,859	-	-
Food services	-	-	-
All other pupil services	1,867,620	-	-
General administration:			
Data processing	807,114	-	-
All other general administration	2,017,335	-	-
Plant services	3,020,788	10,266	86,048
Facility acquisition and construction	174,939	-	196,440
Ancillary services	525,270	-	-
Enterprise services	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>41,785,196</b>	<b>10,266</b>	<b>282,488</b>
<b>Excess (Deficiency) of</b>			
<b>Revenues Over Expenditures</b>	<b>1,500,880</b>	<b>(10,100)</b>	<b>(244,543)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	-	50,000
Transfers out	(60,000)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(60,000)</b>	<b>-</b>	<b>50,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,440,880</b>	<b>(10,100)</b>	<b>(194,543)</b>
<b>Fund Balance - Beginning</b>	<b>3,214,107</b>	<b>10,101</b>	<b>924,446</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,654,987</b>	<b>\$ 1</b>	<b>\$ 729,903</b>

The accompanying notes are an integral part of these financial statements.

<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 19,621,472
490,194	8,582	1,205,208
30,773	-	7,374,085
5,969,342	731,328	22,353,641
<u>6,490,309</u>	<u>739,910</u>	<u>50,554,406</u>
-	-	26,148,272
-	-	841,954
-	-	541,128
-	-	5,677,917
-	-	162,859
-	664,888	664,888
-	-	1,867,620
-	-	807,114
-	-	2,017,335
-	45,600	3,162,702
-	318,256	689,635
-	-	525,270
-	493	493
3,510,000	-	3,510,000
2,539,645	-	2,539,645
<u>6,049,645</u>	<u>1,029,237</u>	<u>49,156,832</u>
<u>440,664</u>	<u>(289,327)</u>	<u>1,397,574</u>
-	10,000	60,000
-	-	(60,000)
-	10,000	-
<u>440,664</u>	<u>(279,327)</u>	<u>1,397,574</u>
5,161,034	526,204	9,835,892
<u>\$ 5,601,698</u>	<u>\$ 246,877</u>	<u>\$ 11,233,466</u>

The accompanying notes are an integral part of these financial statements.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016**

**Total Net Change in Fund Balance - Governmental Funds** **\$ 1,397,574**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities.

This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense	\$ (2,168,048)	
Capital outlays	<u>694,407</u>	
Net Expense Adjustment		(1,473,641)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned or used during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

13,264

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(269,231)

Premiums and refunding gains on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements.

432,143

Payment of principal on long-term liabilities is an expenditure and debt proceeds are an other source of funds in the governmental funds, but reduces or increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

2,595,765

Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(37,297)

In the Statement of Activities, the OPEB Annual Required Contribution (ARC) is recognized as an expense but in the governmental funds the amount paid in cash is an expenditure.

(38,491)

<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,620,086</u></b>
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The accompanying notes are an integral part of these financial statements.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	<u>\$          317,496</u>
<b>LIABILITIES</b>	
Due to student groups	<u>\$          317,496</u>
<b>Total Net Position</b>	

The accompanying notes are an integral part of these financial statements.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Piedmont Unified School District (the District) was unified on July 1, 1936 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates three elementary schools, one middle school, one high school, one continuation school, and one adult school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Piedmont Unified School District, this includes general operations, food service, and student related activities of the District.

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

#### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for other than Capital Outlay do not currently meet the definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general educational purposes, resulting in Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve for other than Capital Outlay being combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, liabilities, fund balance, revenues and expenditures of \$2,463,518, \$778,043, \$1,493,507, \$3,860,829, and \$3,025,703, respectively.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Capital Project Funds** The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District only has one fiduciary fund, which is an agency fund.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days.

However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue** Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Investments**

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pool is determined by the program sponsor.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures over the benefiting period.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000 for equipment and \$15,000 for site improvements and buildings. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 50 years; equipment, 5 to 20 years.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position, except for the net residual amounts due between governmental activities, which are presented as internal balances.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

### **Debt Issuance Costs, Debt Premiums and Discounts**

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities, fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension contributions subsequent to measurement date, net change in proportionate share of the net pension liability, and the difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt and for the difference between expected and actual experience in the measurement of the total pension liability.

### Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### Fund Balances – Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolution or other action as approved by the governing board.

**Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or associate superintendent of business services may assign amounts for specific purposes.

**Unassigned** – all other spendable amounts.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board had provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

The governing board adopted minimum fund balance for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Interfund Activity**

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities, except for the net residual amounts transferred between governmental activities.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### **Budgetary Data**

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1<sup>st</sup> of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

### **Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### **Changes in Accounting Principles**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows

Governmental activities	\$ 11,478,101
Fiduciary funds	317,496
Total Deposits and Investments	<u>\$ 11,795,597</u>

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 437,585
Cash in revolving fund	25,000
Investments	<u>11,333,012</u>
Total Deposits and Investments	<u>\$ 11,795,597</u>

### **Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Sections 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments by maintaining funds in the investment pool listed below. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

Investment Type	Fair Value	Weighted Average Maturity in Years
County Pool	\$ 11,333,012	1.03

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### **Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not required to be rated, nor have they been rated as of June 30, 2016.

### **Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. The District has no investments in any one issuer that represent five percent (5%) or more of the total investments that are required to be disclosed at June 30, 2016.

### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, approximately \$287,500 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### **Custodial Credit Risk - Investments**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's custodial credit risk is limited as all funds were invested in the county investment pool.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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**NOTE 3 - FAIR VALUE MEASUREMENTS**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alameda County Treasury Investments are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 11,333,012	-	-	-	\$ 11,333,012
Total	\$ 11,333,012	\$ -	\$ -	\$ -	\$ 11,333,012

All assets have been valued using a market approach, with quoted market prices.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Federal Government						
Categorical aid	\$ 651,001	\$ -	\$ -	\$ -	\$ 1,243	\$ 652,244
State Government						
Categorical aid	347,976	-	-	-	-	347,976
Lottery	303,517	-	-	-	-	303,517
Local Government						
Interest	5,435	27	3,178	4,448	76	13,164
Other local sources	481,954	-	12,152	-	-	494,106
Total	<u>\$ 1,789,883</u>	<u>\$ 27</u>	<u>\$ 15,330</u>	<u>\$ 4,448</u>	<u>\$ 1,319</u>	<u>\$ 1,811,007</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Transfers \ Dispositions	Balance June 30, 2016
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 335,023	\$ -	\$ -	\$ 335,023
Construction in Progress	670,156	610,245	(1,280,401)	-
Total Capital Assets Not Being Depreciated	<u>1,005,179</u>	<u>610,245</u>	<u>(1,280,401)</u>	<u>335,023</u>
Capital Assets Being Depreciated:				
Land Improvements	5,219,313	-	53,390	5,272,703
Buildings and Improvements	94,733,821	-	1,225,011	95,958,832
Furniture and Equipment	808,837	84,162	2,000	894,999
Total Capital Assets Being Depreciated	<u>100,761,971</u>	<u>84,162</u>	<u>1,280,401</u>	<u>102,126,534</u>
Total Capital Assets	<u>101,767,150</u>	<u>694,407</u>	<u>-</u>	<u>102,461,557</u>
Less Accumulated Depreciation:				
Land Improvements	2,089,937	143,746	-	2,233,683
Buildings and Improvements	18,071,193	1,984,417	-	20,055,610
Furniture and Equipment	723,803	39,885	-	763,688
Total Accumulated Depreciation	<u>20,884,933</u>	<u>2,168,048</u>	<u>-</u>	<u>23,052,981</u>
Governmental Activities Capital Assets, Net	<u>\$ 80,882,217</u>	<u>\$ (1,473,641)</u>	<u>\$ -</u>	<u>\$ 79,408,576</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

Depreciation expense was charged as a direct expense to governmental functions as follows:

**Governmental Activities**

Instruction	\$ 1,336,492
Supervision of instruction	43,034
Instructional library, media, and technology	27,658
School site administration	290,210
Home-to-school transportation	8,324
Food services	33,984
All other pupil services	95,458
Ancillary	26,848
Enterprise	25
Data processing	41,253
All other general administration	103,110
Plant services	161,652
Total Depreciation Expenses Governmental Activities	<u>\$ 2,168,048</u>

**NOTE 6– INTERFUND TRANSACTIONS**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfer To	Transfer From	
	General Fund	Total
Special Reserve Capital Outlay Fund	\$ 50,000	\$ 50,000
Internal Service Fund	10,000	10,000
Total	\$ 60,000	\$ 60,000

The General Fund transferred to the Special Reserve Capital Outlay Fund for Whitter Field repairs.	\$ 50,000
The General Fund transferred to the Self Insurance Fund to set aside funds for preventative measures related to potential worker's compensation claims.	10,000
Total	\$ 60,000

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,883,883	\$ 25,627	\$ 4,825	\$ 87,591	\$ 2,001,926
State principal apportionment	85,161	-	-	-	85,161
Salaries and benefits	-	-	-	-	-
Other significant payables	-	-	-	-	-
Other	-	-	-	-	-
Total	<u>\$ 1,969,044</u>	<u>\$ 25,627</u>	<u>\$ 4,825</u>	<u>\$ 87,591</u>	<u>\$ 2,087,087</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2015	Additions	Accretions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	\$ 74,345,181	\$ -	\$ 914,235	\$ 3,510,000	\$ 71,749,416	\$ 3,795,000
Bond premium, net	4,588,985	-	-	403,025	4,185,960	403,025
Compensated absences	122,728	-	-	13,264	109,464	-
Postemployment benefits obligation	106,293	38,491	-	-	144,784	-
Aggregate net pension liability	25,179,503	6,549,028	-	-	31,728,531	-
Total	<u>\$ 104,342,690</u>	<u>\$ 6,587,519</u>	<u>\$ 914,235</u>	<u>\$ 3,926,289</u>	<u>\$ 107,918,155</u>	<u>\$ 4,198,025</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. Accumulated vacation and postemployment benefit obligation, and the aggregate net pension liabilities are paid by the fund for which the employee worked.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2015	Issued	Accretions	Redeemed	Outstanding June 30, 2016
7/27/2006	8/1/2031	4.0-6.5%	\$ 14,999,934	\$ 633,852	\$ -	\$ 1,148	\$ 310,000	\$ 325,000
10/14/2009	8/1/2034	1.0-5.0%	\$ 19,000,000	16,945,000	-	-	305,000	16,640,000
10/14/2009	8/1/2018	2.0-3.0%	\$ 13,145,000	7,185,000	-	-	1,505,000	5,680,000
4/20/2011	5/1/2026	5.75%	\$ 10,000,000	10,000,000	-	-	-	10,000,000
8/23/2014	8/1/2043	5.3-6.3%	\$ 11,998,678	13,541,329	-	913,087	-	14,454,416
11/13/2014	8/1/2020	2.0-5.0%	\$ 9,965,000	9,965,000	-	-	1,390,000	8,575,000
3/10/2015	8/1/2031	2.0-5.0%	\$ 16,075,000	16,075,000	-	-	-	16,075,000
				<u>\$ 74,345,181</u>	<u>\$ -</u>	<u>\$ 914,235</u>	<u>\$ 3,510,000</u>	<u>\$ 71,749,416</u>

**Debt Service Requirements to Maturity**

The bonds mature through fiscal year 2040 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 3,795,000	\$ 2,732,094	\$ 6,527,094
2018	3,340,000	2,230,875	5,570,875
2019	3,495,000	2,142,325	5,637,325
2020	2,675,000	2,034,475	4,709,475
2021	2,965,000	1,925,350	4,890,350
2022-2026	14,590,000	8,898,850	23,488,850
2027-2031	11,452,347	6,107,527	17,559,874
2032-2036	22,034,599	28,529,877	50,564,476
2037-2040	4,946,732	23,863,268	28,810,000
Total	<u>69,293,678</u>	<u>\$ 78,464,641</u>	<u>\$ 147,758,319</u>
Accretions to date	2,455,738		
Total	<u>\$ 71,749,416</u>		

On March 10, 2015, the District issued General Obligation Refunding Bonds in the amount of \$16,075,000 for the purpose of refunding portions of the 2006 Series A and B General Obligation Bonds. The economic gain on the advance refunding was \$2,541,472, and the accounting gain was \$184,408.

**Accumulated Unpaid Employee Vacation**

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$109,464.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>						
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 25,000
Prepaid expenditures	31,445	-	-	-	-	31,445
Total Nonspendable	<u>56,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,445</u>
<b>Restricted</b>						
Legally restricted programs	179,827	-	-	-	6,608	186,435
Capital projects	-	1	729,903	-	39,691	769,595
Debt services	-	-	-	5,601,698	-	5,601,698
Total Restricted	<u>179,827</u>	<u>1</u>	<u>729,903</u>	<u>5,601,698</u>	<u>46,299</u>	<u>6,557,728</u>
<b>Committed</b>						
Educational programs	1,270,172	-	-	-	-	1,270,172
Deferred maintenance program	117,773	-	-	-	-	117,773
Cafeteria program	-	-	-	-	188,603	188,603
Total Committed	<u>1,387,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,603</u>	<u>1,576,548</u>
<b>Assigned</b>						
Other	-	-	-	-	11,975	11,975
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,975</u>	<u>11,975</u>
<b>Unassigned</b>						
Reserve for economic uncertainties	1,660,332	-	-	-	-	1,660,332
Remaining unassigned	1,370,438	-	-	-	-	1,370,438
Total Unassigned	<u>3,030,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,030,770</u>
Total	<u>\$ 4,654,987</u>	<u>\$ 1</u>	<u>\$ 729,903</u>	<u>\$ 5,601,698</u>	<u>\$ 246,877</u>	<u>\$ 11,233,466</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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**NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**

**Plan Description**

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by Piedmont Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the plan consists of 88 retirees and beneficiaries currently receiving benefits and 318 active plan members.

	<u>Certified</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical and dental	Medical and dental	Medical and dental
	5 years but not beyond	5 years but not beyond	5 years but not beyond
Duration of Benefits	Medicare age*	Medicare age**	Medicare age***
Required Service	10 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	No	No*	No*
District Contribution %	100%	100%	100%
District Cap	Least costly single coverage	Least costly single coverage	Least costly single coverage

\* Those hired prior to 7/1/01 may receive \$100 per month toward the cost of Medicare Supp coverage if not on the top step of the salary schedule.

\*\* Those hired prior to 7/1/89 receive lifetime coverage and may cover dependents. Those hired after 7/1/89 and before 7/1/08 may receive \$100 per month toward Medicare Supp for number of years equal to length of service.

\*\*\* Those hired prior to 7/1/08 may receive \$150 per month toward Medicare Supp.

**Contribution Information**

The contribution requirements of plan members and the District are established and may be amended by the District, the District’s bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District’s bargaining units and the unrepresented groups. For fiscal year 2015-2016 the Annual Required Contribution was \$431,171 and the District contributed \$392,680 to the Plan, all of which was used for current premiums (approximately 91 percent of current year’s annual required contributions).

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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**Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$ 431,171
Annual OPEB cost (expense)	<u>431,171</u>
Contributions made	<u>(392,680)</u>
Increase in net OPEB obligation	38,491
Net OPEB obligation, beginning of year	<u>106,293</u>
Net OPEB obligation, end of year	<u><u>\$ 144,784</u></u>

**Trend Information**

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended June 30	Actual Contribution	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	\$ 444,915	\$ 456,190	98%	\$ 10,195
2015	401,960	498,058	81%	106,293
2016	392,680	431,171	91%	144,784

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### **Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2015, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.5 percent investment rate of return, (net of administrative expenses). The healthcare cost trend rate was 4.00 percent until reaching the ultimate trend. The UAAL is being amortized at a level percentage with payroll assuming a 2.75 percent annual increase in payroll. The remaining amortization period at September 1, 2015, was 25 years. The actuarial value of assets was not determined in this actuarial valuation. Currently, the District is considered to be an unfunded plan since there are no assets and retiree benefits are paid annually on a cash basis.

### **NOTE 11 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. During fiscal year ending June 30, 2016, the District contracted with Alameda County Schools Insurance Group (ACSIG) JPA for property and liability insurance coverage. Extended property and liability coverage was provided by NorCal Relief. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2016, the District participated in the ACSIG, an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG. Participation in the ACSIG is limited to districts that can meet the ACSIG selection criteria.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

Coverage provided by ACSIG, NorCal Relief and Schools Association for Excess Risk (SAFER) for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
Alameda County Schools Insurance Group (ACSIG)	Workers Compensation	Statutory Limit
<u>Excess Property and Liability Program</u>		
NorCal Relief	Property	\$500 - \$250,250,000
NorCal Relief	Liability	\$50,000 - \$50,000,000
<u>Property and Liability Program</u>		
Schools Association For Excess Risk (SAFER)	Excess Property	\$5,250,000 - \$250,000,000
Schools Association For Excess Risk (SAFER)	Excess Liability	\$5,000,000 - \$25,000,000

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 25,023,490	\$ 3,424,239	\$ 2,457,969	\$ 2,040,143
CalPERS	6,705,041	1,214,516	641,562	677,940
Total	<u>\$ 31,728,531</u>	<u>\$ 4,638,755</u>	<u>\$ 3,099,531</u>	<u>\$ 2,718,083</u>

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$1,826,227.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 25,023,490
State's proportionate share of the net pension liability associated with the District	13,234,668
Total	<u>\$ 38,258,158</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0372 percent and 0.0346 percent, resulting in a net increase in the proportionate share of 0.0026 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$2,040,143. In addition, the District recognized pension expense and revenue of \$1,186,943 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Pension contributions subsequent to measurement date	\$ 1,826,227	\$ -
Net change in proportionate share of net pension liability	1,598,012	-
Difference between projected and actual earnings on pension plan investments	-	2,039,821
Differences between expected and actual experience in the measurement of the total pension liability	-	418,148
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 3,424,239</u>	<u>\$ 2,457,969</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows::

Year Ended <u>June 30,</u>	Deferred Outflows/(Inflows) of Resources
	<u>                    </u>
2017	\$ (844,242)
2018	(844,242)
2019	(844,242)
2020	492,904
Total	<u>\$ (2,039,822)</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended	Deferred Outflows/(Inflows) of Resources
2017	\$ 196,644
2018	196,644
2019	196,644
2020	196,644
2021	196,644
Thereafter	196,644
Total	<u>\$ 1,179,864</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 37,783,522
Current discount rate (7.60%)	\$ 25,023,490
1% increase (8.60%)	\$ 14,418,874

### **California Public Employees Retirement System (CalPERS)**

#### **Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$622,624.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$6,705,041. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0455 percent and 0.0436 percent, resulting in a net increase in the proportionate share of 0.0019 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$677,940. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 622,624	\$ -
Net change in proportionate share of net pension liability	208,689	-
Difference between projected and actual earnings on pension plan investments	-	229,586
Differences between expected and actual experience in the	383,203	-
Changes of assumptions	-	411,976
Total	<u>\$ 1,214,516</u>	<u>\$ 641,562</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2017	\$ (168,298)
2018	(168,298)
2019	(168,298)
2020	275,308
Total	<u>\$ (229,586)</u>

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2017	\$ 62,040
2018	62,040
2019	55,836
Total	<u>\$ 179,916</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	<u>Varies by entry age and service</u>

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 10,913,013
Current discount rate (7.65%)	\$ 6,705,041
1% increase (8.65%)	\$ 3,205,831

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### **Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,183,946 (7.12589 percent of 2013-14 creditable compensation subject to STRS). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS.) Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Comparison Schedule.

## **NOTE 13 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2016.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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**Operating Leases**

The District leases certain office equipment under non-cancelable operating leases. Future minimum rental payments under operating leases at June 30, 2016, are:

Year Ending June 30,	Lease Payment
2017	\$ 53,435
2018	25,986
2019	14,730
2020	4,907
Total	<u>\$ 99,058</u>

Rent expense under operating leases was \$125,576 in 2016 and \$130,997 in 2015. Renewal options are provided.

**NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of the Alameda County Schools Insurance Group, public entity risk pool. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationship between the District, and the JPA is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, fund transactions between the entity and the District is included in these statements. Audited financial statements are generally available from the entity.

During the year ended June 30, 2016, the District made payments of \$193,429 to Alameda County Schools Insurance Group for workers' compensation, property, and liability insurance coverage.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**PIEDMONT UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 19,397,621	\$ 19,440,110	\$ 19,431,472	\$ (8,638)
Federal sources	725,348	699,129	706,432	7,303
Other State sources	2,498,078	3,871,079	2,729,889	(1,141,190)
Other local sources	14,121,665	15,183,483	15,373,508	190,025
<b>Total Revenues<sup>1</sup></b>	<b>36,742,712</b>	<b>39,193,801</b>	<b>38,241,301</b>	<b>(952,500)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	17,234,939	17,754,093	17,814,969	(60,876)
Classified salaries	5,585,134	5,481,296	5,553,081	(71,785)
Employee benefits	7,776,277	9,155,912	8,023,258	1,132,654
Books and supplies	1,215,650	2,099,463	1,717,724	381,739
Services and operating expenditures	3,805,106	4,600,236	4,487,318	112,918
Other outgo	(120,000)	(120,000)	(120,000)	-
Capital outlay	-	-	99,194	(99,194)
Debt service - principal	-	115,906	-	115,906
<b>Total Expenditures<sup>1</sup></b>	<b>35,497,106</b>	<b>39,086,906</b>	<b>37,575,544</b>	<b>1,511,362</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,245,606</b>	<b>106,895</b>	<b>665,757</b>	<b>558,862</b>
<b>Other Financing Sources (Uses):</b>				
Transfers out	251,968	251,968	(251,968)	(503,936)
<b>Net Financing Sources (Uses)</b>	<b>251,968</b>	<b>251,968</b>	<b>(251,968)</b>	<b>(503,936)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,497,574</b>	<b>358,863</b>	<b>413,789</b>	<b>54,926</b>
<b>Fund Balance - Beginning</b>	<b>2,555,726</b>	<b>2,555,726</b>	<b>2,555,726</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,053,300</b>	<b>\$ 2,914,589</b>	<b>\$ 2,969,515</b>	<b>\$ 54,926</b>

<sup>1</sup> On behalf payments of \$1,183,946 are excluded from this schedule. In addition, activities related to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects are also excluded from this schedule.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2016**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
September 1, 2015	\$ -	\$ 5,762,826	\$ 5,762,826	0%	\$ 23,943,793	24%
September 1, 2013	-	5,762,826	5,762,826	0%	22,993,263	25%
September 1, 2011	-	5,250,572	5,250,572	0%	20,361,903	26%

See accompanying note to required supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	0.0372%	0.0346%
District's proportionate share of the net pension liability	\$ 25,023,490	\$ 20,224,335
State's proportionate share of the net pension liability associated with the District	13,234,668	12,212,327
Total	<u>\$ 38,258,158</u>	<u>\$ 32,436,662</u>
District's covered - employee payroll	\$ 17,348,602	\$ 15,958,129
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	144%	127%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
<b>CalPERS</b>		
District's proportion of the net pension liability	0.0455%	0.0436%
District's proportionate share of the net pension liability	\$ 6,705,041	\$ 4,955,168
District's covered - employee payroll	\$ 5,644,661	\$ 5,644,661
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	119%	88%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

*Note* : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 1,826,227	\$ 1,361,235
Contributions in relation to the contractually required contribution	<u>(1,826,227)</u>	<u>(1,361,235)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	\$ 17,298,329	\$ 17,348,602
Contributions as a percentage of covered - employee payroll	11%	8%
<b>CalPERS</b>		
Contractually required contribution	\$ 622,624	\$ 581,047
Contributions in relation to the contractually required contribution	<u>(622,624)</u>	<u>(581,047)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	\$ 5,291,631	\$ 5,644,661
Contributions as a percentage of covered - employee payroll	12%	10%

*Note:* In the future, as data become available, ten years of information will be presented.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

#### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

#### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

#### **Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

#### **Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

See accompanying note to required supplementary information.

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***SUPPLEMENTARY INFORMATION***

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**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I - Part A, Basic Grants Low Income and Neglected	84.010	14981	\$ 46,970
Title II - Part A, Improving Teacher Quality	84.367	14341	30,598
Title III - Limited English Proficiency (LEP) Student Program	84.365	10084	11,190
Title III - Immigrant Education Program	84.365	15146	3,842
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	563,090
Preschool Local Entitlement Part B, Sec 611	84.027A	13682	13,171
Preschool Grants Part B, Sec 619	84.173	13430	7,244
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	30,327
Total Special Education Cluster (IDEA)			<u>613,832</u>
Total U.S. Department of Education			<u>706,432</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster			
Special Milk Program for Children	10.556	13390	8,582
Total U.S. Department of Agriculture			<u>8,582</u>
Total Expenditures of Federal Awards			<u>\$ 715,014</u>

See accompanying note to supplementary information.

# **PIEDMONT UNIFIED SCHOOL DISTRICT**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016**

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### **ORGANIZATION**

The Piedmont Unified School District was established July 1, 1936, and consists of an area comprising approximately 1.7 square miles. The District operates three elementary schools, one middle school, one high school, one continuation school, and an adult school. There were no boundary changes during the year.

### **GOVERNING BOARD**

<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Andrea Swenson	President	November 2016
Sarah Pearson	Vice President	November 2016
Richard Raushenbush	Member	November 2016
Amal Smith	Member	November 2018
Doug Ireland	Member	November 2018

### **ADMINISTRATION**

<b>NAME</b>	<b>TITLE</b>
Randall Booker	Superintendent
Song Chin Bendib	Assistant Superintendent, Business Services
Michelle Nguyen	Director, Fiscal Services

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	706.84	707.76
Fourth through sixth	648.80	647.81
Seventh and eighth	415.36	415.47
Ninth through twelfth	839.32	836.34
Total Regular ADA	2,610.32	2,607.38
Extended Year Special Education		
Transitional kindergarten through third	4.97	4.97
Fourth through sixth	1.88	1.88
Seventh and eighth	0.41	0.41
Ninth through twelfth	1.73	1.73
Total Extended Year Special Education	8.99	8.99
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.97	0.82
Seventh and eighth	2.92	2.80
Ninth through twelfth	8.60	8.09
Total Special Education, Nonpublic, Nonsectarian Schools	12.49	11.71
Total ADA	2,631.80	2,628.08

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2016**

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Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,900	180	In compliance
Grades 1 - 3				
Grade 1	50,400	51,250	180	In compliance
Grade 2	50,400	51,250	180	In compliance
Grade 3	50,400	51,250	180	In compliance
Grades 4 - 6				
Grade 4	54,000	54,055	180	In compliance
Grade 5	54,000	54,055	180	In compliance
Grade 6	54,000	54,055	180	In compliance
Grades 7 - 8				
Grade 7	54,000	65,384	180	In compliance
Grade 8	54,000	65,384	180	In compliance
Grades 9 - 12				
Grade 9	64,800	64,845	180	In compliance
Grade 10	64,800	64,845	180	In compliance
Grade 11	64,800	64,845	180	In compliance
Grade 12	64,800	64,845	180	In compliance

See accompanying note to supplementary information.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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Summarized below are the reconciliations between the Supplement Form Asset, Supplemental Form Debt and the audited financial statements.

	<u>General Fund</u>
FORM ASSET	
Total Capital Assets, June 30, 2016, Unaudited Actuals	\$ 79,255,833
Decrease in:	
Construction in progress	1
Buildings and improvements	148,436
Furniture and Equipment	11,897
Increase in:	
Accumulated depreciation - buildings & improvements	(5,211)
Accumulated depreciation - furniture & equipment	(2,380)
Total Capital Assets, June 30, 2016, Audited Financial Statement	<u>\$ 79,408,576</u>
 FORM DEBT	
Long-Term Liabilities, June 30, 2016, Unaudited Actuals	\$ 101,381,425
Increase (decrease) in:	
General obligation bonds	(4,208,412)
Bond premium on issuance	4,185,960
Compensated absences	(28,337)
Aggregate net pension liability	6,549,028
Other post employment benefits	38,491
Long-Term Liabilities, June 30, 2016, Audited Financial Statement	<u>\$ 107,918,155</u>

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

	(Budget)			
	2017 <sup>1</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>
<b>GENERAL FUND</b>				
Revenues <sup>3</sup>	\$ 38,367,827	\$ 39,425,245	\$ 34,414,880	\$ 32,445,886
Other sources and transfers in	-	-	-	84
Total Revenues and Other Sources	<u>38,367,827</u>	<u>39,425,245</u>	<u>34,414,880</u>	<u>32,445,970</u>
Expenditures <sup>3</sup>	38,731,313	38,759,491	35,887,008	32,318,235
Other uses and transfers out	50,000	251,968	345,463	430,692
Total Expenditures and Other Uses	<u>38,781,313</u>	<u>39,011,459</u>	<u>36,232,471</u>	<u>32,748,927</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>\$ (413,486)</u>	<u>\$ 413,786</u>	<u>\$ (1,817,591)</u>	<u>\$ (302,957)</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 2,556,026</u>	<u>\$ 2,969,512</u>	<u>\$ 2,555,726</u>	<u>\$ 4,373,317</u>
<b>AVAILABLE RESERVES<sup>2</sup></b>	<u>\$ 2,376,198</u>	<u>\$ 1,846,824</u>	<u>\$ 2,555,726</u>	<u>\$ 2,964,620</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b>	<u>6.13%</u>	<u>4.73%</u>	<u>7.05%</u>	<u>9.05%</u>
<b>LONG-TERM OBLIGATION</b>	<u>\$ 103,720,130</u>	<u>\$ 107,918,155</u>	<u>\$ 104,342,690</u>	<u>\$ 79,745,173</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<u>2,618</u>	<u>2,631</u>	<u>2,631</u>	<u>2,550</u>

The General Fund balance has decreased by \$1,403,805 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$413,486 (14 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in the current year and anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by \$28,172,982 over the past two years.

Average daily attendance has increased by 81 over the past two years. A decrease of 13 ADA is anticipated during fiscal year 2016-2017.

<sup>1</sup> Budget 2017 is included for analytical purposes only and has not been subjected to audit. Current and prior years' actual columns only include General fund information.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

<sup>3</sup> On-behalf payments of \$1,183,946, \$851,505 and \$804,129, have been excluded from the calculation of available reserves for fiscal years ended June 30, 2016, 2015, and 2014. In addition, due to the consolidation of the Adult Education Fund, the Deferred Maintenance Fund, and the Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund per GASB 54, additional revenues of \$3,860,829 and expenditures of \$3,025,703 pertaining to these funds are also not included in the actual (GAAP Basic) nor the budget columns.

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016**

	<u>Cafeteria Fund</u>	<u>County School Facilities Fund</u>	<u>Self Insurance Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>				
Deposits and investments	\$ 199,855	\$ 120,828	\$ 12,466	\$ 333,149
Receivables	1,296	21	2	1,319
<b>Total Assets</b>	<u>\$ 201,151</u>	<u>\$ 120,849</u>	<u>\$ 12,468</u>	<u>\$ 334,468</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,940	81,158	493	\$ 87,591
<b>Total Liabilities</b>	<u>5,940</u>	<u>81,158</u>	<u>493</u>	<u>87,591</u>
<b>Fund Balances:</b>				
Restricted	6,608	39,691	-	46,299
Committed	188,603	-	-	188,603
Assigned	-	-	11,975	11,975
<b>Total Fund Balance</b>	<u>195,211</u>	<u>39,691</u>	<u>11,975</u>	<u>246,877</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 201,151</u>	<u>\$ 120,849</u>	<u>\$ 12,468</u>	<u>\$ 334,468</u>

See accompanying note to supplementary information.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Cafeteria Fund</b>	<b>County School Facilities Fund</b>	<b>Self Insurance Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Federal sources	\$ 8,582	\$ -	\$ -	\$ 8,582
Other local sources	730,452	863	13	731,328
<b>Total Revenues</b>	<b>739,034</b>	<b>863</b>	<b>13</b>	<b>739,910</b>
<b>EXPENDITURES</b>				
Current				
Pupil services:				
Food services	664,888	-	-	664,888
Plant services	965	44,635	-	45,600
Facility acquisition and construction	-	318,256	-	318,256
Enterprise services	-	-	493	493
<b>Total Expenditures</b>	<b>665,853</b>	<b>362,891</b>	<b>493</b>	<b>1,029,237</b>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over Expenditures</b>	73,181	(362,028)	(480)	(289,327)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	10,000	10,000
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>10,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	73,181	(362,028)	9,520	(279,327)
<b>Fund Balance - Beginning</b>	122,030	401,719	2,455	526,204
<b>Fund Balance - Ending</b>	<b>\$ 195,211</b>	<b>\$ 39,691</b>	<b>\$ 11,975</b>	<b>\$ 246,877</b>

See accompanying note to supplementary information.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of federal revenue received but not required to be reported on Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 1,205,208
Federal interest reimbursement of Quality School Construction Bonds	N/A	<u>(490,194)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 715,014</u>

#### Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

#### Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION (CONTINUED) JUNE 30, 2016

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### NOTE 1 - PURPOSE OF SCHEDULES (CONTINUED)

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by Education Code Section 46201.

#### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

#### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

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***INDEPENDENT AUDITOR'S REPORTS***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board  
Piedmont Unified School District  
Piedmont, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Piedmont Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Piedmont Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2016.

***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinions are not modified with respect to these matters.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Piedmont Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Piedmont Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Piedmont Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Piedmont Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

### **Piedmont Unified School District's Response to Findings**

Piedmont Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Piedmont Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
December 15, 2016



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Piedmont Unified School District  
Piedmont, California

### **Report on State Compliance**

We have audited Piedmont Unified School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Piedmont Unified School District's State government programs as noted below for the year ended June 30, 2016.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Piedmont Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Piedmont Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Piedmont Unified School District's compliance with those requirements.

### ***Unmodified Opinion on Each of the Other Programs***

In our opinion, Piedmont Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Piedmont Unified School District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a work experience program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an early retirement incentive program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any juvenile court schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any middle or early college high schools; therefore, we did not perform procedures related to the Middle or Early College High Schools Program.

The District does not offer a before or after school education and safety program; therefore, we did not perform any procedures related to the Before or After School Education and Safety Program.

The District does not offer an independent study-course based program; therefore, we did not perform procedures related to the Independent Study-Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The District does not have any charter schools; therefore, we did not perform any procedures for Charter School Programs.

*Vavrinek, Trine, Day & Co., LLP.*

Pleasanton, California  
December 15, 2016

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**PIEDMONT UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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# PIEDMONT UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

**2016-001**      **Associated Student Body**  
Significant Deficiency

**Criteria or Specific Requirements**

Associated Student Body (ASB) funds are subject to greater loss due to the nature of the transactions and to the decentralization of the accounting process.

Management is responsible for establishing and maintaining an effective system of internal control to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorizations and are properly recorded. Strong internal controls also include a well designed segregation of duties.

**Condition**

During the audit of ASB accounts at Piedmont Middle School and Millennium Continuation High School, we noted conditions indicating that operating controls are not functioning at their optimum levels. In particular we noted the following:

Piedmont Middle School

- 5 out of 6 cash collections reviewed were not deposited timely. Days between receipt and deposit were from 15 to 34 days.
- 1 out of 1 cash disbursement reviewed was missing supporting documentation for receipt of the goods purchased.
- 1 out of 1 revenue potential form reviewed contained calculation errors.

Millennium Continuation High School

- 5 out of 5 cash collections reviewed did not have a pre-numbered receipt or an alternate tracking system supporting the cash collected.
- 1 out of 7 cash disbursements reviewed was missing supporting documentation.

**Questioned costs**

None

**Context**

All ASB cash collections and cash disbursements at Piedmont Middle School and Millennium Continuation High School.

**Effect**

Without well designed internal controls in all phases of ASB activities, opportunities exist for the intentional misuse of student funds that may go undetected.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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### **Cause**

Cash custody controls were not operating in accordance with best practices.

Maintaining a documentation trail that includes proper cash receipting was not operating as intended.

Maintaining a documentation trail for receipt and payment of goods was not operating as intended.

### **Recommendation**

To ensure the safeguarding of cash receipts, we recommend that District management remind site personnel of the best practice guideline for depositing cash collections. Ten days between receipt and deposit is considered timely. In addition, although we understand that it may not be practical to change accounting systems, we recommend that District management encourage site personnel to develop an alternate tracking system when pre-numbered receipts are not used. We also recommend that District management encourage site personnel to retain a packing slip or some other documentation supporting receipt of goods purchased and retain reimbursement request forms for student reimbursements. This supporting documentation should be provided to the ASB Bookkeeper. The District should also consider periodically reviewing the progress and improvement of these issues.

### **Corrective Action Plan**

Piedmont Middle School:

District central management has reminded Piedmont Middle School to be timely in depositing their cash collections. Very often, packages (e.g. Amazon) do not come with packing slips. However, site staff will make a concerted effort to look out for packing slips.

Millennium High School:

In 2016-17, a new ASB advisor has taken over the ASB advisor role. The Principal and the Advisor have discussed the need for pre-numbered receipts for all purchases from the ASB. The Advisor has a pre-numbered receipt book and has trained the ASB students in how this is to be done.

**PIEDMONT UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.

# PIEDMONT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

**2015-001**      **Associated Student Body**  
*Significant Deficiency*

**Finding**

During the audit of ASB accounts at Piedmont Middle School, Piedmont High School and Millennium Continuation High School, we noted conditions indicating that operating controls are not functioning at their optimum levels. In particular we noted the following:

Piedmont Middle School

- 5 out of 6 cash collections reviewed did not have pre-numbered receipts or an alternate tracking system supporting the cash collected.

Piedmont High School

- 5 out of 17 cash collections reviewed did not have pre-numbered receipts or an alternate tracking system supporting the cash collected.
- 3 out of 23 cash disbursements reviewed did not have a receiving document supporting receipt of the equipment purchased.

Millennium Continuation High School

- 16 out of 17 cash collections reviewed were not deposited timely. Days between receipt and deposit were from 11 to 152 days.
- 1 out of 17 cash collections reviewed did not have a pre-numbered receipt or an alternate tracking system supporting the cash collected.

**Recommendation**

To ensure the safeguarding of cash receipts, we recommend that District management remind site personnel of the best practice guideline for depositing cash collections. Ten days between receipt and deposit is considered timely. In addition, although we understand that it may not be practical to change accounting systems, we recommend that District management encourage site personnel to develop an alternate cash receipt tracking system when pre-numbered receipts are not used. We also recommend that District management encourage site personnel to retain a packing slip or some other document supporting receipt of equipment and supplies and provide this documentation to the ASB Bookkeeper. The District should also consider periodically reviewing the progress and improvement of these issues.

**Current Status**

Partially Implemented. See Current Year Financial Statement Finding 2016-001.